CBSE Class 12 Business Studies Question Paper 2023 with Solution PDF-Set 66/1/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 3 hours **Maximum Marks: 80**

General Instructions

(i) This question paper contains **34** questions. **All** questions are **compulsory**.
(ii) Marks are indicated against each question.
(iii) Answers should be brief and to the point.
(iv) Answers to questions carrying **3** marks may be from **50 to 75** words.
(v) Answers to questions carrying **4** marks may be in about **150** words.
(vi) Answers to questions carrying **6** marks may be in about **200** words.
(vii) Attempt all parts of a question together.

1. Match the various characteristics of Business environment given in Column I with their respective explanations in Column II :

Column I	Column II
A. Dynamic nature	(i) Environment is a phenomenon that is relatively easier to understand in parts but difficult to grasp in its totality.
B. Complexity	(ii) Business environment differs from country to country and even region to region.
C. Relativity	(iii) Business environment keeps on changing, whether in terms of technological improvement or shifts in consumer preferences.

[1 mark]

(A) A–(iii), B–(ii), C– (i)

(B) A–(ii), B–(iii), C–(i)

(C) A–(iii), B–(i), C–(ii)

(D) A–(i), B–(ii), C–(iii)

Correct Answer: (C) A–(iii), B–(i), C–(ii)

Solution:

Concept:

- The business environment is dynamic because its components keep changing over time.
- Complexity concerns the interrelated nature of environmental forces; relativity concerns differences between places.

Step 1: Match each characteristic with its meaning Dynamic nature matches (iii), which describes technological improvement and shifts in consumer preferences. Complexity matches (i), because understanding individual elements is easier than grasping all their interactions. Relativity matches (ii), because the environment differs between countries and regions.

Step 2: Eliminate the other combinations Option (A) interchanges complexity and relativity. Option (B) wrongly connects dynamic nature with regional differences and complexity with change. Option (D) assigns all three explanations incorrectly. Only option (C) preserves every correct match.

Step 3: Conclusion The matching is A–(iii), B–(i), C–(ii). Hence, the correct option is (C).

Quick Tip to Solve: Use three cues: changing means dynamic, interrelated whole means complex, and differences between places mean relative.

2. 'Management has its own vocabulary of terms and concepts. Managers need to communicate with one another with the help of a common vocabulary for the better understanding of their work situation.'

Which characteristic of 'Management as a Science' is highlighted in the above statement ? [1 mark]

(A) Principles based on experimentation

(B) Systematised body of knowledge

(C) Universal validity

(D) Personalised application

Correct Answer: (B) Systematised body of knowledge

Solution:

Concept:

- A science has a systematised body of knowledge, including concepts, principles and a common vocabulary.
- Management uses organised knowledge, although its principles are applied flexibly to human behaviour.

Step 1: Identify the feature in the statement The words 'its own vocabulary of terms and concepts' and 'a common vocabulary' refer to an organised body of knowledge. Shared terminology helps managers understand and communicate about management situations. This is the systematised body of knowledge characteristic.

Step 2: Rule out the remaining features Principles based on experimentation concern observation and testing, which the statement does not discuss. Universal validity concerns applicability across situations, not common terminology. Personalised application is a feature of management as an art, so it cannot be the scientific characteristic asked for.

Step 3: Conclusion The characteristic is systematised body of knowledge. Hence, the correct option is (B).

Quick Tip to Solve: When a question mentions organised concepts, principles or common terminology, identify a systematised body of knowledge.

3. _____ refers to the obligation of a subordinate to properly perform the assigned duty.

[1 mark]

(A) Authority

(B) Responsibility

(C) Accountability

(D) Delegation

Correct Answer: (B) Responsibility

Solution:

Concept:

- Responsibility is the obligation of a subordinate to properly perform an assigned duty.
- Authority is the right to command; accountability is answerability for the final outcome.

Step 1: Identify the obligation described The phrase 'obligation of a subordinate to properly perform the assigned duty' is the definition of responsibility. Once a superior assigns work, the subordinate must carry it out properly. The focus is on performing the duty.

Step 2: Distinguish the other elements Authority is the right to give orders and make decisions, rather than the obligation to perform work. Accountability means being answerable to a superior for the result. Delegation is the overall process of transferring authority and assigning responsibility; it is not this particular obligation.

Step 3: Conclusion The missing term is responsibility. Hence, the correct option is (B).

Quick Tip to Solve: Separate the three terms: authority is the right to act, responsibility is the duty to act, and accountability is answerability.

4. 'Alfanzo Ltd.' is achieving all its objectives in an effective and efficient manner. It is earning enough revenue to cover costs and the risks of the business. Now the company wants to increase the sales volume, the capital investment, the number of employees and the number of products also.

By doing this, the management wants to achieve its following objective :

[1 mark]

(A) Survival

(B) Profit

(C) Personal

(D) Growth

Correct Answer: (D) Growth

Solution:

Concept:

- Organisational objectives include survival, profit and growth.
- Growth is measured through increases in sales, capital investment, employees and products.

Step 1: Connect the expansion to its objective Alfanzo Ltd. wants to 'increase the sales volume, the capital investment, the number of employees and the number of products'. These are measures of

expansion in the scale of business. They directly indicate the organisational objective of growth.

Step 2: Distinguish the other objectives Survival means earning enough revenue to cover costs and continue operating. Profit provides a surplus to compensate for business risks; the case already mentions this stage. Personal objectives relate to employees' needs, such as remuneration and development. None of these describes the proposed expansion as precisely as growth.

Step 3: Conclusion Management wants to achieve growth. Hence, the correct option is (D).

Quick Tip to Solve: For organisational objectives, link covering costs to survival, risk compensation to profit, and expanding scale to growth.

5. During the Covid-19 pandemic, the restaurant industry faced many challenges. The slowdown led to huge decrease in demand. From April 2022, the effect of Covid started reducing. The economy started picking up and a boom was noticed in the restaurant industry. As a result, larger amount of working capital was required with increased production and sales.

The factor affecting the working capital requirement discussed above is : [1 mark]

(A) Seasonal factor

(B) Production cycle

(C) Operating efficiency

(D) Business cycle

Correct Answer: (D) Business cycle

Solution:

Concept:

- The business cycle affects working capital through changes in overall demand and business activity.
- During a boom, higher production and sales normally require more current assets and working capital.

Step 1: Identify the economic movement The case describes a 'slowdown' followed by the economy 'picking up' and 'a boom'. Higher restaurant demand requires more supplies and other current assets to support increased production and sales. These fluctuations identify the business cycle.

Step 2: Rule out the other factors Seasonal factors concern predictable changes during particular seasons, not the stated economic slowdown and recovery. Production cycle means the time between acquiring inputs and obtaining finished output; no such change is described. Operating efficiency concerns how effectively resources are used, which is also not the cause given here.

Step 3: Conclusion The factor is the business cycle. Hence, the correct option is (D).

Quick Tip to Solve: Look for boom, recession, slowdown and recovery to identify the business cycle; do not confuse these with seasonal demand.

6. Adapting to a change in consumer preference towards online shopping, 'Fast-Service' started a grocery delivery app. It is a platform that ensures 10-minute deliveries of groceries. Because of this service, 'Fast-Service' earned huge profit within a year. It planned to expand its operations and decided to raise funds by directly issuing its securities to investors.

The market through which 'Fast-Service' has decided to raise funds for its expansion is : [1 mark]

(A) Money market

(B) Primary market

(C) Secondary market

(D) Both Primary and Secondary markets

Correct Answer: (B) Primary market

Solution:

Concept:

- The primary market deals in new securities issued by an enterprise to investors.
- The secondary market trades existing securities; proceeds normally go to the selling investors.

Step 1: Identify the transaction raising funds Fast-Service decided to raise funds by 'directly issuing its securities to investors'. This creates a new issue and transfers investors' funds to the company for expansion. That is the defining function of the primary market.

Step 2: Reject the other markets The money market provides short-term funds, whereas the stated new issue for expansion identifies the primary capital market. The secondary market involves resale of existing securities and does not directly provide new issue proceeds to the company. Both primary and secondary markets is therefore incorrect: only the new-issue transaction is described.

Step 3: Conclusion Fast-Service will raise funds through the primary market. Hence, the correct option is (B).

Quick Tip to Solve: Ask who receives the funds: a new issue pays the company in the primary market; resale pays the existing holder in the secondary market.

7. 'Capital Market instruments are riskier both with respect to returns and principal repayment as compared to Money Market instruments.'

This highlights the following point of difference between 'Capital Market' and 'Money Market' :

[1 mark]

(A) Instruments

(B) Duration

(C) Safety

(D) Liquidity

Correct Answer: (C) Safety

Solution:

Concept:

- Safety refers to the risk attached to investment returns and repayment of principal.
- Money market instruments are generally safer than capital market instruments because of their shorter duration and the financial standing of issuers.

Step 1: Identify the basis of comparison The statement says capital market instruments are 'riskier both with respect to returns and principal repayment'. Both aspects concern the security of invested funds and expected receipts. The basis of distinction is therefore safety.

Step 2: Distinguish the other bases Instruments would compare the types of securities traded, such as shares and treasury bills. Duration would compare their maturity periods. Liquidity concerns conversion into cash without significant loss. The statement expressly compares investment risk, so safety, rather than any of these other bases, is the appropriate answer.

Step 3: Conclusion The point of difference highlighted is safety. Hence, the correct option is (C).

Quick Tip to Solve: Risk to returns or principal points to safety; ease of conversion into cash points to liquidity, and maturity points to duration.

8. Which of the following statements does not highlight the importance of financial planning ?

[1 mark]

(A) Detailed plans of action prepared under financial planning increase waste, duplication of efforts and gaps in planning.

(B) It helps in forecasting what may happen in future under different business situations.

(C) It provides a link between investment and financing decisions on a continuous basis.

(D) It helps in avoiding business shocks and surprises and helps the company in preparing for the future.

Correct Answer: (A) Detailed plans of action prepared under financial planning increase waste, duplication of efforts and gaps in planning.

Solution:

Concept:

- Financial planning estimates future financial requirements and determines how funds will be available when required. It coordinates the acquisition and use of funds.
- An effective financial plan reduces waste and duplication by linking investment decisions with financing decisions and preparing for different future conditions.

Step 1: Identify the incorrect claim Option (A) says that detailed financial plans "increase waste, duplication of efforts and gaps in planning". This reverses the actual benefit: detailed plans reduce these problems by coordinating activities and making financial requirements clear.

Step 2: Check the remaining statements Option (B) correctly describes forecasting under different business situations. Option (C) correctly links investment and financing decisions continuously. Option (D) correctly recognises that planning helps anticipate shocks and prepare for the future. All three therefore highlight its importance, whereas the question asks for the statement that does not.

Step 3: Conclusion Increasing waste and duplication is not a benefit of financial planning; financial planning helps reduce them. Hence, the correct option is (A).

Quick Tip to Solve: For a negatively worded question, underline "does not" and check whether each statement describes a benefit or reverses that benefit.

9. 'Roma Ltd.' identified the needs of the customers for the successful marketing of their products. This was important for making an analysis of the available opportunities, threats, weaknesses and strengths of the organisation and help in deciding what opportunities can best be pursued by it. By doing so, which of the following functions of marketing is being performed by 'Roma Ltd.' ?

[1 mark]

(A) Standardisation and grading

(B) Product designing and development

(C) Marketing planning

(D) Gathering and analysing market information

Correct Answer: (D) Gathering and analysing market information

Solution:

Concept:

- Gathering and analysing market information identifies customer needs and studies the business environment to guide marketing decisions.
- An analysis of strengths, weaknesses, opportunities and threats helps a business decide which opportunities it can pursue successfully.

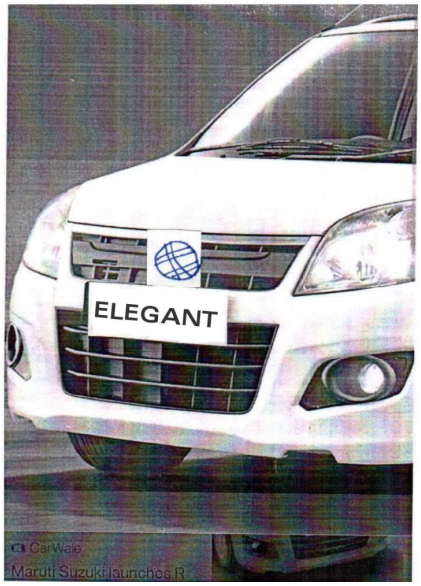
Step 1: Connect the case to the information function Roma Ltd. "identified the needs of the customers" and analysed "opportunities, threats, weaknesses and strengths". These are information-gathering and analysis activities that reveal customer requirements and the organisation's marketing opportunities.

Step 2: Distinguish the other functions Standardisation and grading in (A) set product standards and classify products by quality. Product designing and development in (B) concern product features and design. Marketing planning in (C) sets marketing objectives and programmes. The case specifically describes collecting and analysing information that supports those later decisions, so (D) is the closest and direct identification.

Step 3: Conclusion Roma Ltd. is performing the function of gathering and analysing market information. Hence, the correct option is (D).

Quick Tip to Solve: Customer needs together with a strengths-weaknesses-opportunities-threats analysis point to market information, rather than product design or grading.

10. The symbol which appears on all the 'Elegant' cars and which is not utterable is known as its : [1 mark]



(A) Brand

(B) Brand name

(C) Brand mark

(D) Trade mark

Correct Answer: (C) Brand mark

Solution:

Concept:

- A brand identifies a seller's goods and distinguishes them from competing goods through a name, term, sign, symbol, design or combination of these.
- A brand name is utterable, while a brand mark is the recognisable visual part of a brand that cannot be spoken. A trade mark is a brand or part of a brand given legal protection.

Step 1: Identify the precise branding element The question asks about the "symbol" on the cars that "is not utterable". A visual symbol that is recognised by sight, rather than spoken as a word, is a brand mark. The printed car emblem illustrates this non-verbal identifying element.

Step 2: Eliminate the broader or different terms Brand in (A) is the broader identifying concept and includes both names and marks. Brand name in (B) is the spoken part, such as "Elegant", so it contradicts "not utterable". Trade mark in (D) depends on legal protection; the statement gives no such criterion. The non-utterable symbol is therefore specifically the brand mark in (C).

Step 3: Conclusion The non-utterable symbol on the Elegant cars is its brand mark. Hence, the correct option is (C).

Quick Tip to Solve: Use the deciding word: a spoken name is a brand name, a visual symbol is a brand mark, and legal protection identifies a trade mark.

11. 'A good physical distribution system should provide for an accurate and speedy processing of orders in the absence of which goods will reach the customers late or in wrong quantity.'

The component of physical distribution highlighted above is : [1 mark]

(A) Warehousing

(B) Order Processing

(C) Transportation

(D) Inventory Control

Correct Answer: (B) Order Processing

Solution:

Concept:

- Physical distribution makes products available to customers and includes order processing, transportation, warehousing and inventory control.
- Order processing covers receiving and accurately processing customer orders so that the required quantity is supplied promptly.

Step 1: Locate the decisive activity The statement expressly requires "accurate and speedy processing of orders" and warns that otherwise goods arrive "late or in wrong quantity". These consequences follow from errors or delays in processing the customer's order, so the component is order processing.

Step 2: Separate it from the other components Warehousing in (A) stores goods until required. Transportation in (C) physically moves them from one place to another. Inventory control in (D) decides the stock levels to maintain. Although all affect distribution, none is the specific activity of checking and processing an order described here. Option (B) directly names that activity.

Step 3: Conclusion The component highlighted is order processing. Hence, the correct option is (B).

Quick Tip to Solve: Identify the activity in the statement: processing an order differs from storing stock, maintaining stock levels or physically moving goods.

12. _____ involves a variety of programmes designed to promote or protect a company's image and its individual products in the eyes of the public. [1 mark]

(A) Personal selling

(B) Public relations

(C) Sales promotion

(D) Advertising

Correct Answer: (B) Public relations

Solution:

Concept:

- Public relations involves programmes designed to promote or protect the image of a company and its individual products in the eyes of the public.
- The public includes several groups whose attitudes affect the business; maintaining a favourable

reputation is broader than directly persuading one buyer to purchase.

Step 1: Match the definition The words "promote or protect a company's image" and "in the eyes of the public" identify public relations. Its focus is creating and maintaining a favourable public image through suitable communication and other programmes.

Step 2: Rule out the other promotion tools Personal selling in (A) involves direct personal communication with prospective customers. Sales promotion in (C) offers short-term incentives such as discounts and prizes to encourage purchase. Advertising in (D) is paid, impersonal presentation and promotion by an identified sponsor. These are distinct tools; the broad image-building definition in the question is specifically public relations.

Step 3: Conclusion Public relations is the activity defined in the statement. Hence, the correct option is (B).

Quick Tip to Solve: Image, reputation and relationships with the public are the strongest clues for public relations; short-term buying incentives indicate sales promotion.

13. 'Coordination integrates the efforts of different departments and at different levels.'
Identify the characteristic of coordination highlighted in the above statement. [1 mark]

(A) Coordination ensures unity of action.
(B) Coordination is an all pervasive function.
(C) Coordination is a deliberate function.
(D) Coordination is the responsibility of all managers.

Correct Answer: (B) Coordination is an all pervasive function.

Solution:

Concept:

- Coordination integrates the efforts of individuals and departments so that activities contribute to organisational objectives.
- Coordination is all pervasive: it is required across departments as well as at every level of management because activities are interdependent.

Step 1: Interpret the scope described The statement says coordination integrates "different departments and at different levels". The emphasis is on its presence throughout the organisation, horizontally across departments and vertically across management levels. This highlights coordination as an all pervasive function.

Step 2: Distinguish the related characteristics Unity of action in (A) emphasises the common direction or purpose achieved by integrated effort. Deliberate function in (C) means coordination requires conscious managerial effort rather than occurring automatically. Responsibility of all managers in (D) identifies who must coordinate. Here, the explicit reference to departments and levels identifies the organisational scope, which is (B).

Step 3: Conclusion The characteristic highlighted is that coordination is an all pervasive function. Hence, the correct option is (B).

Quick Tip to Solve: When the clue is "all levels" or "different departments", identify pervasiveness; when the clue is a common purpose, identify unity of action.

14. Which of the following are the examples of Legal Environment ?

(i) Advertisement of alcoholic beverages is prohibited

(ii) Decrease in interest rate on loans

(iii) Increase in demand for organic foods

(iv) Digilockers for storing documents

(v) In 1993, the Supreme Court passed an order to close the iron foundries around 'Taj Mahal' at Agra [1 mark]

(A) (i) and (iv)

(B) (i) and (ii)

(C) (ii) and (iii)

(D) (i) and (v)

Correct Answer: (D) (i) and (v)

Solution:

Concept:

- The legal environment comprises laws, rules, regulations and judicial decisions that govern and constrain business activities.
- Classify an environmental development by its direct nature: legal restrictions and court orders are legal, interest rates are economic, preferences are social, and digital innovations are technological.

Step 1: Identify the legal examples Statement (i), "Advertisement of alcoholic beverages is prohibited", describes a legal restriction. Statement (v), the Supreme Court's order to close iron foundries around the Taj Mahal, is a judicial decision affecting businesses. Both therefore belong to the legal environment.

Step 2: Classify the remaining examples and options The decrease in loan interest rates in (ii) is economic. Increased demand for organic foods in (iii) reflects social preferences. Digilockers in (iv) illustrate technological development. Thus (A) includes a technological example, (B) an economic one, and (C) economic and social examples. Only (D), containing (i) and (v), pairs two legal examples.

Step 3: Conclusion The examples of the legal environment are (i) and (v). Hence, the correct option is (D).

Quick Tip to Solve: Look for a prohibition, law or court order when identifying the legal environment; classify interest rates, preferences and digital tools separately.

15. Umang was working as a 'Production Manager' at 'LG Papers Ltd.' The company had launched new eco-friendly paper straws in the market. He was given a target of producing 5,000 straws a day, by the General Manager. In spite of making the employees work overtime, Umang could not meet the target.

On investigation, it was found that the employees had not received the right training to manufacture these eco-friendly paper straws. So the employees were sent for special training.

The function of management which helped Umang in identifying that he could not meet the target is : [1 mark]

(A) Planning

(B) Organising

(C) Directing

(D) Controlling

Correct Answer: (D) Controlling

Solution:

Concept:

- Controlling compares actual performance with predetermined standards so that deviations can be identified and corrected.
- The controlling process includes setting standards, measuring performance, comparing results, analysing deviations and taking corrective action.

Step 1: Identify the standard and the deviation The target of 'producing 5,000 straws a day' is the performance standard. Umang found that he 'could not meet the target', even with overtime. Recognising this shortfall requires comparison of actual output with the standard, which is controlling.

Step 2: Distinguish the other functions Planning sets the target but does not identify the actual shortfall. Organising allocates work and establishes relationships. Directing guides and motivates employees. The investigation into inadequate training and the decision to provide special training further show analysis of the deviation and corrective action under controlling.

Step 3: Conclusion The function is controlling. Hence, the correct option is (D).

Quick Tip to Solve: When a case compares actual output with a target and then investigates the gap, identify controlling.

16. Statement I : Management is multi-dimensional.

Statement II : The activities involved in managing an enterprise are common to all organisations whether economic, social or political.

Choose the correct option from the options given below : [1 mark]

(A) Statement I is true and II is false.

(B) Statement II is true and I is false.

(C) Both the statements are false.

(D) Both the statements are true.

Correct Answer: (D) Both the statements are true.

Solution:

Concept:

- Management is multi-dimensional because it involves management of work, people and operations.
- Management is all pervasive: managerial activities are required in economic, social and political organisations.

Step 1: Evaluate Statement I Statement I is true. Management does not concern only production or only people: managers must achieve the work objectives, manage people as individuals and groups, and manage the operations that convert inputs into outputs. These three dimensions make management multi-dimensional.

Step 2: Evaluate Statement II and select the combination Statement II is also true. A business, a social organisation and a political organisation all need managerial activities such as planning, organising, staffing, directing and controlling, although their objectives and methods may differ. Options (A) and (B) wrongly reject one true statement; option (C) wrongly rejects both.

Step 3: Conclusion Both statements are true. Hence, the correct option is (D).

Quick Tip to Solve: Multi-dimensional refers to work, people and operations; all pervasive refers to management being needed in every type of organisation.

17. Which of the following is not a step in the process of 'Controlling' function of management ? [1 mark]

(A) Setting performance standards

(B) Assignment of duties

(C) Taking corrective action

(D) Comparing actual performance with standards

Correct Answer: (B) Assignment of duties

Solution:

Concept:

- Controlling ensures that actual activities conform to planned standards by measuring performance and correcting deviations.

- Assignment of duties belongs to organising, where tasks are allocated to suitable people after activities have been identified and grouped.

Step 1: Recall the sequence of controlling The controlling process starts with setting performance standards. Actual performance is then measured and compared with those standards. Deviations are analysed and corrective action is taken where needed. Therefore, setting standards in (A), taking corrective action in (C), and comparing actual performance with standards in (D) are all controlling steps.

Step 2: Locate assignment of duties Assignment of duties means allocating the grouped tasks to employees according to their abilities. It creates a division of work and is a step in organising. Since the question asks which activity is not a controlling step, this activity is the required exception.

Step 3: Conclusion Assignment of duties is not a step in controlling. Hence, the correct option is (B).

Quick Tip to Solve: For a negative question, eliminate the listed controlling steps first; allocating duties points to organising.

18. _____ as an element of marketing mix includes the activities that make the firm's products available to the target customers. [1 mark]

(A) Promotion

(B) Place

(C) Product

(D) Price

Correct Answer: (B) Place

Solution:

Concept:

- The marketing mix consists of product, price, place and promotion decisions.
- Place, or physical distribution, concerns making products available to target customers at the appropriate locations and time.

Step 1: Connect availability with distribution The question emphasises activities that make the firm's products 'available to the target customers'. These include selecting channels of distribution and arranging physical movement and availability of goods. Such decisions come under place, the distribution element of the marketing mix.

Step 2: Rule out the other elements Promotion communicates with customers and persuades them to buy; it does not itself refer to product availability. Product concerns the goods or services offered, including their features, quality and packaging. Price concerns the amount customers must pay. Thus none of (A), (C) or (D) names the element described.

Step 3: Conclusion The missing element is place. Hence, the correct option is (B).

Quick Tip to Solve: Use availability or distribution as the clue for place; communication indicates promotion and payment indicates price.

19. The process of defining and grouping the activities of the enterprise and establishing authority relationship among them is : [1 mark]

(A) Directing

(B) Staffing

(C) Management

(D) Organising

Correct Answer: (D) Organising

Solution:

Concept:

- Organising defines and groups activities and establishes authority relationships so that people can work together towards organisational objectives.
- It includes identifying and dividing work, departmentalisation, assignment of duties and establishing reporting relationships.

Step 1: Identify the elements of the definition The question describes 'defining and grouping the activities' and 'establishing authority relationship'. Grouping work provides a structure for coordinated effort, while authority relationships specify who reports to whom. These are the defining features of organising.

Step 2: Distinguish the remaining choices Directing involves instructing, guiding, motivating and leading people to perform their tasks. Staffing fills and keeps filled positions in the organisation through recruitment, selection and related activities. Management is the wider process that includes organising along with the other functions; it is not the specific function defined here.

Step 3: Conclusion The process is organising. Hence, the correct option is (D).

Quick Tip to Solve: A definition combining grouping of activities with authority or reporting relationships identifies organising.

20. Sangeeta visited 'Smile Dental Clinic' for treatment of toothache. She observed that the receptionist was seated at the reception desk, the place fixed for her. Dental instruments were laid neatly in dental instrument trays and the used instruments were placed in the sterilisation area. There was a fixed place for everything and it was present there. There was no hindrance in the work of the dentist and she was working with her maximum efficiency.

The principle of management followed at the 'Smile Dental Clinic' was : [1 mark]

(A) Equity

(B) Discipline

(C) Order

(D) Initiative

Correct Answer: (C) Order

Solution:

Concept:

- Fayol's principle of order requires a place for everyone and everything, with everyone and everything in the assigned place.
- Material order and social order reduce confusion, avoid delays and support efficient performance.

Step 1: Match the case evidence with order The receptionist occupies 'the place fixed for her', showing social order. Instruments are kept in trays and used instruments in the sterilisation area, showing material order. The decisive line is 'There was a fixed place for everything and it was present there.' This orderly arrangement lets the dentist work without hindrance.

Step 2: Reject the other principles Equity concerns fairness and kindness in treatment of employees. Discipline concerns obedience to organisational rules and agreements. Initiative encourages employees to develop and carry out plans. The case instead emphasises proper placement of people and materials, so (A), (B) and (D) do not match its central evidence.

Step 3: Conclusion The clinic follows the principle of order. Hence, the correct option is (C).

Quick Tip to Solve: Look for assigned places for people and materials: that is order; fair treatment would instead indicate equity.

21. 'The attitudes, skills and abilities of employees to perform specific jobs are increased by adopting a specific process.' This process benefits the organisation in many ways.

State any three benefits of this process to the organisation. [3 marks]

Solution:

Concept:

- Training is the systematic process of improving employees' knowledge, attitudes and skills for performing a specific job effectively.
- Training and development benefit the organisation by improving work performance, preparing people for future responsibilities and supporting effective use of its resources.

Step 1: Identify the process described The process is **training**. The statement says that employees' "attitudes, skills and abilities" for "specific jobs" are increased. These words point to systematic improvement of job-related competence. Three benefits of training to the organisation are stated below.

Step 2: State three organisational benefits

- **Avoidance of wastage:** Training is systematic learning and is better than learning solely by trial and error. Employees learn the correct methods of doing their jobs, so effort, time and money are wasted less in mistakes and repeated attempts.
- **Higher productivity:** Trained employees perform their tasks more efficiently and effectively. Their improved competence raises the quantity as well as the quality of output, helping the organisation achieve better productivity and profitability.
- **Preparation of future managers:** Training equips employees with the knowledge and capabilities needed for greater responsibilities. The organisation therefore has suitable people ready to take over when existing managers are absent, retire or move to other positions.

Step 3: Conclusion Thus, the process is training. It benefits the organisation through reduced wastage, higher productivity and the preparation of employees for future managerial responsibilities.

Quick Tip to Solve: When the statement stresses improved skills for a specific job, identify training; then state benefits to the organisation rather than benefits such as personal career growth alone.

22(a). (i) Name the process of holding securities in an electronic form.
(ii) Name any two participants of Money Market.
(iii) Name the depositories that hold securities in electronic form. [3 marks]

Solution:

Concept:

- Dematerialisation converts physical securities into electronic records held through a depository system, allowing investors to hold and transfer them electronically.
- The money market deals in short-term funds with maturities up to one year. Its major participants include the Reserve Bank of India, commercial banks and other financial institutions.

Step 1: Name the process and two money-market participants

- **Part (i) - Dematerialisation:** The process of holding securities in electronic form is called dematerialisation, commonly shortened to demat. It removes the need for the investor to retain paper share certificates; the holding is recorded electronically in a demat account.
- **Part (ii) - Participants:** Two participants of the money market are the **Reserve Bank of India (RBI)** and **commercial banks**. The RBI participates in and regulates the short-term money market, while commercial banks borrow and lend short-term funds to manage their liquidity requirements.

Step 2: Name the two depositories **Part (iii):** The depositories that hold securities in electronic form in India are **National Securities Depository Limited (NSDL)** and **Central Depository Services (India) Limited (CDSL)**. Investors access depository services through registered depository participants. A

depository is the institution maintaining the electronic securities records; it should not be confused with a stock exchange, where securities are traded.

Step 3: Conclusion (i) Dematerialisation; (ii) Reserve Bank of India and commercial banks; (iii) National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Quick Tip to Solve: Keep the three answers distinct: dematerialisation is the process, RBI and commercial banks are money-market participants, and NSDL and CDSL are securities depositories.

OR

22(b). State any three factors affecting the dividend decision. [3 marks]

Solution:

Concept:

- The dividend decision determines how much of a company's earnings is distributed to shareholders and how much is retained in the business for future requirements.
- A company considers both its earning capacity and its cash needs before declaring a dividend. Accounting profit and cash available for payment are related but distinct considerations.

Step 1: Relate dividend payment to earnings

- **Amount of earnings:** Dividends are paid out of current and past earnings. A company with higher earnings has greater capacity to declare dividends, whereas low earnings restrict the amount that can be distributed. Therefore, earnings are an important determinant of the dividend decision.
- **Stability of earnings:** A company with stable earnings is better able to predict its future income and can generally afford a higher dividend. A company whose earnings fluctuate is likely to be more cautious and retain a larger portion to meet its needs when earnings decline.

Step 2: Consider the cash needed to pay dividends

- **Cash-flow position:** Dividend payment involves an outflow of cash. A company must have enough cash to pay the declared dividend while meeting its operating and other commitments. Even if it reports substantial profit, a shortage of available cash may lead it to declare a lower dividend. A strong cash-flow position makes dividend payment easier.

Step 3: Conclusion Three factors affecting the dividend decision are the amount of earnings, the stability of earnings and the cash-flow position of the company.

Quick Tip to Solve: Separate the size of profit, its predictability and cash availability: these are three distinct factors, each explaining a different limit on dividend payment.

23. Hitesh is the Chief Executive Officer of 'Kids Garments Ltd.' Due to festive season, Hitesh got an additional order of 10,000 garments which he had to supply within two days. Due to his goodwill in the market, he did not want to lose the order. So, he decided to achieve the target by operating on double shifts. He achieved the target and supplied the order within two days. But due to double shifts, his cost of production was higher than the regular production cost.

Identify and give the meaning of the two concepts of management discussed in the above para.

[3 marks]

Solution:

Concept:

- Effectiveness means completing activities and achieving the desired objectives within the stipulated time. It focuses on the end result of managerial action.
- Efficiency means doing the task correctly with minimum cost and optimum use of resources. Effective management should achieve objectives while using resources economically.

Step 1: Identify effectiveness from the timely achievement **Effectiveness:** Hitesh was effective because he fulfilled the additional order of 10,000 garments within the required two days. The statement, "He achieved the target and supplied the order within two days", shows that the desired result was attained on time. Effectiveness asks whether the organisation has accomplished what it intended to do; here, the quantity and delivery deadline were met.

Step 2: Examine efficiency through the production cost **Efficiency:** This means accomplishing a task with minimum cost and avoiding unnecessary use of resources. The case states that "his cost of production was higher than the regular production cost" because he operated double shifts. Thus, although the target was achieved, the work was not performed efficiently in the sense of maintaining economical production. Timely completion alone does not establish efficiency: the cost incurred in reaching the target must also be considered.

Step 3: Conclusion The two concepts are **effectiveness** and **efficiency**. Hitesh was effective in delivering the order on time, but lacked efficiency because production cost exceeded the regular level. Management should seek a balance between achieving the desired result and using resources economically.

Quick Tip to Solve: Link "target achieved on time" to effectiveness and "cost/resources used" to efficiency; assess the two separately.

24(a). Explain the following as points of importance of 'Controlling' function of management :

(i) Accomplishing organisational goals

(ii) Improving employee motivation

[3 marks]

Solution:

Concept:

- Controlling compares actual performance with predetermined standards, identifies deviations and initiates corrective action so that work proceeds according to plans.

- Its importance includes keeping the organisation directed towards its goals and motivating employees through clear performance standards and appraisal.

Step 1: Explain accomplishing organisational goals **Accomplishing organisational goals:** Controlling measures progress towards organisational goals and brings to light deviations from the planned course. Managers compare actual performance with standards and investigate significant differences. They then take corrective action, such as removing an operational bottleneck or improving a work method, to bring performance back in line with the plan. Thus, the control process guides activities towards the intended objectives and ensures that organisational resources and effort remain directed towards achieving them. It does more than merely detect an error: it connects measurement with correction.

Step 2: Explain improving employee motivation **Improving employee motivation:** Controlling lets employees know well in advance the standards of performance on the basis of which they will be appraised. Clear standards tell them what they are expected to achieve and how their work will be judged. Appraisal against known standards makes assessment more objective and helps employees direct their efforts towards better performance. When good performance is recognised and shortcomings are identified constructively, employees are encouraged to work with greater commitment. Thus, clarity about expectations and appraisal motivates them to improve their performance.

Step 3: Conclusion Controlling helps accomplish organisational goals by detecting deviations and securing corrective action. It also improves employee motivation by communicating clear performance standards and providing a known basis for appraisal.

Quick Tip to Solve: For goals, trace standards to comparison to correction; for motivation, connect known standards with clear expectations and appraisal.

OR

24(b). Explain any three advantages of filling vacancies from within the organisation. [3 marks]

Solution:

Concept:

- Filling vacancies from within the organisation is internal recruitment. Its main sources are transfers, which shift employees between similar jobs, and promotions, which move them to higher positions.
- Internal recruitment uses employees whose abilities and work records are already known to the organisation. It can offer career opportunities while reducing the effort and expense of obtaining staff.

Step 1: Explain motivation and simpler selection

- **Motivates employees:** Promotion opportunities encourage employees to improve their performance because they can see a prospect of advancement within the organisation. Recognition of their ability builds satisfaction and commitment, and encourages them to prepare for higher responsibilities rather than seek opportunities elsewhere.
- **Simplifies selection and placement:** The organisation already knows its employees' abilities, experience, strengths and work records. It can therefore assess their suitability more reliably and

need not go through the entire search and selection process used for outsiders. Employees are also familiar with organisational policies and practices, reducing the need for induction and orientation.

Step 2: Explain economy in recruitment

- **Economical source:** Internal recruitment reduces expenditure on advertising vacancies and attracting applicants from outside. Since potential candidates are available within the organisation and their records are known, the time and administrative cost involved in searching, screening and selecting personnel are also reduced. Thus, filling a suitable vacancy through a transfer or promotion can be less expensive than external recruitment.

Step 3: Conclusion Three advantages of filling vacancies internally are **higher employee motivation**, **simpler selection and placement**, and **economy in recruitment**. These benefits arise from offering advancement and using the organisation's existing knowledge of its employees.

Quick Tip to Solve: Organise internal-recruitment advantages around employees' career prospects, known work records and savings in recruitment costs.

25. 'Zeto Ltd.' offers its employees shares at a price which is less than the market price.

(a) Identify the incentive offered by the company and state the type of incentive discussed above.

(b) State two other incentives of the type of incentive identified in (a) above. [4 marks]

Solution:

Concept:

- Financial incentives are rewards that can be measured in monetary terms and motivate employees by meeting their financial needs.
- Co-partnership or stock option is a financial incentive under which employees are offered company shares at a price lower than the prevailing market price, giving them an ownership interest in the enterprise.

Step 1: Identify the specific incentive in part (a) **Co-partnership / Stock option:** The case states that Zeto Ltd. offers employees "shares at a price which is less than the market price". This is the defining feature of co-partnership or stock option. By becoming shareholders, employees acquire a sense of ownership and may work more actively for the company's growth. It is different from profit sharing, which distributes an agreed share of profits rather than offering shares at a concessional price.

Step 2: State its category in part (a) **Financial incentive:** The concession in the share price has a monetary value. Therefore, the incentive belongs to the financial category. Although ownership may also create pride and belongingness, its classification here follows the monetary benefit offered to the employees.

Step 3: State two other financial incentives in part (b)

- **Pay and allowances:** Salary, dearness allowance and other allowances provide monetary remuneration for work. Regular increments in pay and allowances can motivate employees to perform effectively.
- **Bonus:** A reward offered over and above the wages or salary paid to employees is a bonus. It

supplements regular remuneration and provides an additional financial benefit.

Step 4: Conclusion The incentive is **co-partnership or stock option**, which is a **financial incentive**. Two other financial incentives are **pay and allowances** and **bonus**.

Quick Tip to Solve: Link concessional company shares with stock option; distinguish this from profit sharing, which refers to a share of profits.

26. Identify and give the meaning of the concepts highlighted in the following statements :

(a) The process of finding possible candidates for a job.

(b) An assessment of the number and types of human resources necessary for the performance of various jobs.

(c) Introducing the selected employees to other employees and familiarising them with the rules and policies of the organisation.

(d) It ensures that the organisation gets the best employees amongst the employees available.

[4 marks]

Solution:

Concept:

- Staffing involves obtaining, placing and developing suitable people for the organisation's jobs. Its stages perform different functions, from determining requirements to selecting and introducing employees.
- Recruitment creates a pool of applicants, whereas selection chooses suitable candidates from that pool. Estimating manpower requirements determines staffing needs; orientation familiarises a newcomer with the organisation.

Step 1: Identify and explain the concept in statement (a) **Recruitment:** The phrase "finding possible candidates for a job" identifies recruitment. Recruitment means searching for prospective employees and stimulating them to apply for jobs in the organisation. It aims to attract a pool of potential applicants; it does not itself choose the final employee from that pool.

Step 2: Identify and explain the concept in statement (b) **Estimating manpower requirements:** The statement refers to "an assessment of the number and types of human resources necessary". This stage determines how many employees, and employees with which qualifications and skills, are needed to perform the organisation's jobs. Workload analysis indicates the number and types required, while workforce analysis assesses the existing personnel available, helping reveal shortages or excess staff.

Step 3: Identify and explain the concept in statement (c) **Orientation / Induction:** The clues are "introducing the selected employees to other employees" and familiarising them with "rules and policies". Orientation is the process of introducing a new employee to the organisation and its people, rules and policies so that the newcomer becomes comfortable in the work environment. Placement, by contrast, assigns the selected person to the position for which the person has been selected.

Step 4: Identify and explain the concept in statement (d) **Selection:** The words "gets the best employees amongst the employees available" point to selection. Selection is the process of choosing the most suitable candidate from the applicants for a job. Through screening, tests, interviews and

other appropriate checks, the organisation matches a candidate's abilities with the job requirements and chooses the best fit.

Step 5: Conclusion The concepts are: **(a) Recruitment; (b) Estimating manpower requirements; (c) Orientation or induction; and (d) Selection**. They respectively attract applicants, assess staffing needs, familiarise newcomers and choose suitable candidates.

Quick Tip to Solve: Match the action word to the stage: find applicants means recruitment, assess needs means manpower estimation, familiarise means orientation, and choose means selection.

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27. Nitya is a student of class XII of a well-known school. She has a preconceived notion that her teacher always finds fault in her work. One day while checking the project work of class XII, her teacher wanted to appreciate Nitya for her hard work and good performance, but before she could complete her sentence, Nitya left the room without listening to her teacher.

(a) Identify the 'barrier to communication' and also the type/category of barrier to which it is related.

(b) Explain two other communication barriers of the type/category identified in (a) above. [4 marks]

Solution:

Concept:

- Communication is effective when the receiver listens to and understands the complete message in the sense intended by the sender.
- Psychological barriers arise from the emotional or mental state of the sender or receiver. Prejudices, inattentiveness and distrust can prevent the correct meaning from being received.

Step 1: Identify the specific barrier in part (a) **Premature evaluation:** Nitya judges what her teacher is going to say before listening to the complete message. The case states that she has a "preconceived notion that her teacher always finds fault in her work" and that she "left the room without listening to her teacher." Her existing judgement prevents her from hearing the appreciation actually intended by the teacher. Evaluating a message before receiving it fully is premature evaluation.

Step 2: State the category of the barrier **Psychological barrier:** The obstacle arises from Nitya's mental attitude and preconceived belief, rather than from difficult language or the school's formal communication arrangements. Although the teacher intends to appreciate her "hard work and good performance," Nitya's state of mind leads her to expect criticism. Thus, premature evaluation belongs to the category of psychological barriers.

Step 3: Explain two other psychological barriers for part (b)

- **Lack of attention:** When a receiver is preoccupied with other thoughts or does not listen attentively, some or all of the message goes unheard. The receiver therefore misses the information or understands it only partially. For example, an employee thinking about a personal problem may fail to register an instruction given by a supervisor.
- **Distrust:** If the sender and receiver do not trust each other, the receiver may suspect the sender's intentions and reject or misinterpret even a correct message. A lack of mutual confidence prevents an open exchange of information and makes it difficult to understand the message in its intended sense.

Step 4: Conclusion The specific barrier is **premature evaluation**, which is a **psychological barrier**. Two other psychological barriers are **lack of attention** and **distrust**.

Quick Tip to Solve: Link "judging before hearing the complete message" with premature evaluation; then name other barriers from the psychological category, rather than semantic or organisational barriers.

28. 'X Ltd.' issued 14% Debentures of ₹ 4,00,000 and 10,000 Equity shares of ₹ 60 each. This investment resulted in a net profit of ₹ 2,00,000 before interest and tax. The tax rate was 50%.

(a) Calculate the 'Return on Investment' and 'Earning per Share' of 'X Ltd.'

(b) State with reason whether the above example is that of favourable or unfavourable financial leverage. [4 marks]

Solution:

Concept:

- Return on investment (ROI) compares earnings before interest and tax (EBIT) with the total capital employed. Total investment includes both debt and equity capital.
- Earnings per share (EPS) is the profit available to equity shareholders after interest and tax divided by the number of equity shares. Interest is deducted before calculating tax.
- Financial leverage is favourable when the return earned on the investment exceeds the rate of interest on debt, allowing the use of debt to increase equity shareholders' earnings per share.

Step 1: Find the total investment and ROI for part (a) Equity share capital is the number of equity shares multiplied by their issue price. Add the debentures to obtain the total funds invested in the business.

$$\text{Equity capital} = 10{,}000 \times \text{Rs } 60 = \text{Rs } 6{,}00{,}000,$$
$$\text{Total investment} = \text{Rs } 4{,}00{,}000 + \text{Rs } 6{,}00{,}000 = \text{Rs } 10{,}00{,}000.$$

The stated profit before interest and tax is EBIT, so no interest or tax is deducted in calculating ROI.

$$\text{ROI} = \frac{\text{EBIT}}{\text{Total investment}} \times 100 = \frac{2{,}00{,}000}{10{,}00{,}000} \times 100 = 20\%.$$

Step 2: Calculate earnings available to equity shareholders The debentures carry interest at 14%. First deduct this fixed charge from EBIT, and then apply the tax rate of 50% to the remaining profit.

$$\text{Interest} = 4{,}00{,}000 \times \frac{14}{100} = \text{Rs } 56{,}000,$$
$$\text{Profit before tax} = 2{,}00{,}000 - 56{,}000 = \text{Rs } 1{,}44{,}000,$$
$$\text{Tax} = 1{,}44{,}000 \times \frac{50}{100} = \text{Rs } 72{,}000,$$
$$\text{Profit after tax} = 1{,}44{,}000 - 72{,}000 = \text{Rs } 72{,}000.$$

No preference dividend is given, so the whole profit after tax is available to the 10,000 equity shares.

$$\text{EPS} = \frac{72{,}000}{10{,}000} = \text{Rs } 7.20 \text{ per share.}$$

Step 3: Assess financial leverage for part (b) This is **favourable financial leverage** because ROI of 20% is greater than the debenture interest rate of 14%. The business earns more on the borrowed funds than their interest cost; the excess benefits equity shareholders. As a check, if the same Rs 10,00,000 investment were financed entirely through equity issued at Rs 60 per share, the same EBIT and 50% tax rate would give an EPS of Rs 6.00. With the stated debt-equity financing, EPS is Rs 7.20, demonstrating the favourable effect of trading on equity.

Step 4: Conclusion **ROI is 20% and EPS is Rs 7.20 per equity share.** Financial leverage is **favourable**, since the 20% return on investment exceeds the 14% interest rate on debentures.

Quick Tip to Solve: Use EBIT for ROI, but deduct interest before tax for EPS. Compare ROI with the debt interest rate to decide whether trading on equity is favourable.

29(a). Fixed capital refers to investment in long-term assets. Explain any two factors affecting the fixed capital requirements of an enterprise. [4 marks]

Solution:

Concept:

- Fixed capital is the investment in long-term assets such as land, buildings, plant and machinery. These assets support the enterprise's operations over several accounting periods rather than being consumed in one operating cycle.
- The amount required depends on the assets needed to conduct the particular business and the production method chosen. Two factors are nature of business and choice of technique.

Step 1: Explain the nature of business **Nature of business:** The kind of business determines which long-term assets it must acquire. A manufacturing enterprise generally needs substantial investment in land, factory buildings, plant and machinery to convert raw materials into finished goods. It therefore usually requires more fixed capital than a trading enterprise of a comparable scale. A trading enterprise mainly buys and resells finished goods. It can operate with shops, warehouses and office equipment and does not normally need a manufacturing plant. Consequently, its fixed capital requirement is relatively lower. The comparison concerns investment in long-term assets; money needed to purchase goods for resale is working capital.

Step 2: Explain the choice of technique **Choice of technique:** A business adopting a capital-intensive technique uses a larger amount of machinery, automated equipment and technology in relation to labour. Purchasing and installing these assets requires a larger initial investment, so its fixed capital requirement is higher. A business adopting a labour-intensive technique relies more on workers and less on expensive machinery. It generally needs a lower investment in fixed assets and therefore a smaller amount of fixed capital. Thus, even enterprises producing similar goods may have different fixed capital requirements because their production techniques differ.

Step 3: Conclusion Two factors affecting fixed capital requirements are **nature of business** and **choice of technique**. Manufacturing activities and capital-intensive production generally require greater investment in long-term assets than trading activities and labour-intensive production, respectively.

Quick Tip to Solve: For each factor, identify the long-term assets it changes and explain whether the investment rises or falls. Do not confuse inventory purchases or wages with fixed capital.

OR

29(b). Distinguish between 'Capital Market' and 'Money Market' on the basis of the following :

(i) Duration

(ii) Liquidity

(iii) Instruments

(iv) Expected return [4 marks]

Solution:

Concept:

- The capital market provides medium-term and long-term finance through securities such as shares and debentures.
- The money market provides short-term finance. Its instruments generally have greater liquidity and lower expected returns than capital market securities.

Step 1: Compare duration and liquidity Compare the period for which funds are raised and the ease of conversion into cash. Liquidity refers to ready marketability; it does not mean that capital market securities cannot be sold.

Basis	Capital Market	Money Market
Duration	Deals in medium-term and long-term funds, generally for periods exceeding one year.	Deals in short-term funds for periods up to one year.
Liquidity	Securities are relatively less liquid, though listed securities can be sold through stock exchanges.	Instruments are highly liquid and can be converted into cash more readily.

Step 2: Compare instruments and expected return Compare the securities traded and the return generally expected. Higher expected return compensates for greater risk; actual returns are not guaranteed.

Basis	Capital Market	Money Market
Instruments	Equity shares, preference shares, debentures and bonds are major instruments.	Treasury bills, commercial paper, call money, certificates of deposit and commercial bills are major instruments.
Expected return	Expected returns are generally higher because investments carry relatively greater risk.	Expected returns are generally lower because instruments have short maturities and relatively lower risk.

Step 3: Conclusion Thus, the capital market finances longer-term needs, with relatively lower liquidity and higher expected returns; the money market finances short-term needs, with greater liquidity and lower expected returns.

Quick Tip to Solve: Use the same four bases in the same order for both markets. Remember the money market as short-term, highly liquid and relatively low-return; expected return is never a guaranteed return.

30(a). Explain any four points of importance of consumer protection from the point of view of business. [4 marks]

Solution:

Concept:

- Consumer protection safeguards buyers against unfair practices and ensures that businesses respect consumer interests.
- From the business viewpoint, protecting consumers supports lasting success and fulfils the enterprise's obligations towards society.

Step 1: Explain the long-term interest of business **Long-term interest of business:** A business earns profits and grows over time by satisfying its customers. Fair prices, reliable quality and prompt attention to complaints create trust and repeat purchases. Satisfied customers also recommend the product to others, improving goodwill and widening the customer base. Thus, protecting consumers supports continued sales and survival rather than merely securing a single transaction.

Step 2: Recognise the use of society's resources **Business uses society's resources:** An enterprise draws labour, capital, materials and other resources from society. It therefore has an obligation to use those resources in society's interest. Providing safe products of the promised quality and avoiding deceptive practices help it discharge this responsibility towards the consumers who form part of that society.

Step 3: Explain the social responsibility of business **Social responsibility:** Business has responsibilities towards different interest groups, including consumers. It earns income by selling to them and must therefore look after their interests. Supplying the right quality and quantity, giving accurate information and providing a fair complaint-handling mechanism are ways of meeting this responsibility. Consumers' welfare should remain a concern throughout business operations.

Step 4: Apply moral justification **Moral justification:** A business has a moral duty to protect consumers from exploitation. It should avoid adulteration, misleading advertisements, sale of unsafe products and other unfair trade practices even when such practices might bring a short-term gain. Ethical conduct respects the buyer as a person and makes the enterprise accountable for what it offers.

Step 5: Conclusion Four points of importance are the long-term interest of business, its use of society's resources, its social responsibility and the moral justification for fair treatment of consumers.

Quick Tip to Solve: For the business viewpoint, connect each heading to what the enterprise gains or owes: lasting customer trust, responsible resource use, social duty and ethical conduct.

OR

30(b). Explain the following rights of a consumer :

(i) Right to be Heard

(ii) Right to Seek Redressal [4 marks]

Solution:

Concept:

- Consumer rights enable a buyer to participate in decisions affecting consumer interests and to obtain relief against exploitation.
- The right to be heard concerns representation and consideration of complaints; the right to seek redressal concerns the remedy for an unfair practice or loss.

Step 1: Explain the right to be heard **(i) Right to be Heard—representation of interests:** A consumer has the right to have consumer interests receive due consideration at appropriate forums. The consumer must have an opportunity to express dissatisfaction and present a complaint when a product or service fails to meet the promised standard. Businesses should maintain consumer service and grievance cells so that complaints can reach the responsible officials and receive attention.

Support through consumer organisations: Consumers can also form organisations and associations to represent their interests. These bodies can raise consumer concerns before businesses and other appropriate forums. The essence of this right is that the buyer's voice is considered, rather than ignored after the sale has taken place.

Step 2: Explain the right to seek redressal **(ii) Right to Seek Redressal—relief against exploitation:** A consumer has the right to seek relief against unfair trade practices, restrictive trade practices and other forms of exploitation. If a product is defective or a service is deficient, the consumer can pursue a remedy through the appropriate consumer dispute redressal agency.

Forms of relief: Depending on the complaint and the order of the redressal agency, relief may include removal of a defect, replacement of the product, refund of the price or compensation for loss or injury suffered. This right therefore goes beyond merely registering a grievance: it gives the consumer a means of obtaining an appropriate remedy for the harm caused.

Step 3: Conclusion The right to be heard ensures an opportunity to present and represent consumer grievances. The right to seek redressal enables the consumer to obtain suitable relief, such as replacement, refund or compensation, against exploitation.

Quick Tip to Solve: Distinguish the two rights by their purpose: being heard gives the consumer a voice; seeking redressal provides a route to a remedy.

31(a). Explain the following principles of management :

(i) Division of work

(ii) Remuneration of employees

(iii) Subordination of individual interest to general interest [6 marks]

Solution:

Concept:

- Fayol's principles of management are general guidelines for managerial decisions and behaviour. They must be applied with judgement to suit the circumstances of the organisation.
- Division of work concerns specialisation, remuneration concerns fair compensation, and subordination of individual interest concerns the priority given to organisational objectives when interests conflict.

Step 1: Explain division of work

- **Divide work into specialised tasks:** Work should be divided into small tasks and entrusted to specialists. A person who repeatedly performs a particular task acquires skill and experience in it. This principle applies to managerial as well as technical activities.
- **Improve efficiency through specialisation:** Repeated practice helps the employee become proficient, avoids unnecessary changes from one kind of work to another and improves the speed and quality of performance. For example, allocating separate production, finance and marketing responsibilities allows employees with the relevant expertise to concentrate on their own work.

Step 2: Explain remuneration of employees

- **Provide fair and reasonable compensation:** Employees should receive remuneration that is just and equitable so that it gives reasonable satisfaction to them and to the employer. Their wages should enable them to maintain a reasonable standard of living.
- **Balance employee needs and business capacity:** While fixing remuneration, management should consider employees' needs, prevailing wage rates and the organisation's paying capacity. Fair remuneration encourages satisfaction and harmonious relations; at the same time, compensation should remain within the financial capacity of the enterprise.

Step 3: Explain subordination of individual interest to general interest

- **Give organisational interest priority:** The interests of the organisation should take precedence over the interests of any one individual or group of individuals. Employees and managers may have personal objectives, but their decisions should support the common objectives of the enterprise.
- **Reconcile conflicting interests fairly:** Management should try to harmonise individual and organisational interests. If a conflict remains, organisational interest must prevail without sacrificing legitimate employee interests unfairly. For example, a purchasing manager should select a supplier on quality and cost considerations rather than favouring a relative's firm for personal benefit.

Step 4: Conclusion Division of work raises efficiency through specialisation; fair remuneration promotes employee satisfaction and balanced relations; and subordination of individual interest ensures that personal preferences do not override the organisation's common objectives.

Quick Tip to Solve: Explain each principle through its central rule and its managerial effect: specialise work, pay fairly, and put the common organisational objective first.

OR

31(b). Explain the following techniques of Scientific Management :

(i) Differential piece-wage system

(ii) Standardisation and simplification of work [6 marks]

Solution:

Concept:

- Taylor's scientific management replaces rule-of-thumb methods with scientifically determined methods and standards to increase efficiency and prosperity for both workers and management.
- Differential piece-wage rates reward efficiency. Standardisation establishes uniform standards, while simplification eliminates unnecessary varieties of products and activities.

Step 1: Explain the differential piece-wage system

- **Set a scientific performance standard:** Management first determines the standard output through scientific work study. Workers' actual output is compared with this standard to distinguish efficient workers from those who do not attain the prescribed level of performance.
- **Apply two piece-wage rates:** An efficient worker who meets or exceeds the standard receives a higher wage rate per piece, whereas a worker whose output falls below the standard receives a lower rate per piece. The appropriate rate applies to that worker's output; this is more than merely paying different total wages because workers produce different quantities.
- **Provide an incentive for efficiency:** The difference between the two rates rewards efficient workers and motivates others to improve their performance. For example, if the standard is ten units per day, the prescribed higher rate is paid to a worker producing ten or more units, while a lower rate is paid to one producing fewer than ten units.

Step 2: Explain standardisation of work

- **Establish uniform standards:** Standardisation means setting standards for every business activity, such as the process, raw materials, time, machinery, product and working conditions. These provide benchmarks to be followed and against which actual performance can be judged.
- **Secure consistent quality and performance:** Its objectives include reducing a product to fixed types, sizes and characteristics, establishing interchangeability of manufactured parts, and setting standards of excellence in materials and performance of workers and machines. Uniform methods and specifications reduce avoidable variations and make efficient production easier.

Step 3: Explain simplification of work

- **Eliminate unnecessary diversity:** Simplification means eliminating superfluous varieties, sizes and dimensions of products and restricting production to the varieties that are needed. For example, a manufacturer may discontinue rarely demanded sizes and concentrate on a useful, limited range.
- **Reduce costs and improve resource use:** A smaller, necessary range reduces inventories, makes better use of equipment, increases turnover and helps reduce costs of labour, machinery and tools. Thus, standardisation establishes uniform benchmarks, whereas simplification removes unnecessary varieties; the two techniques complement one another.

Step 4: Conclusion The differential piece-wage system uses higher and lower per-piece rates to

encourage efficient output. Standardisation sets uniform benchmarks for work and products, while simplification removes unnecessary varieties to reduce waste and production costs.

Quick Tip to Solve: Keep the distinctions clear: differential wages change the rate per piece, standardisation fixes standards, and simplification reduces unnecessary varieties.

32. 'It is setting objectives for a given time period, identifying various alternative courses of action to achieve them and then selecting the best possible alternative from amongst the various alternative courses of action available.'

(a) Identify the function of management referred above.

(b) State any five points of importance of the function of management identified in (a) above.

[6 marks]

Solution:

Concept:

- Planning means deciding in advance what to do and how to do it. It involves setting objectives and selecting the best course of action from the available alternatives.
- Planning connects the present position of an organisation with its desired future position. Its importance lies in providing direction, anticipating change and guiding coordinated action.

Step 1: Identify the management function in part (a) The function is **planning**. The expressions 'setting objectives for a given time period' and 'selecting the best possible alternative' show that managers decide the desired results and choose how to achieve them before undertaking action. These are the defining elements of planning.

Step 2: State five points of importance for part (b)

- **Planning provides directions:** Plans state objectives clearly and specify the actions needed to achieve them. Employees know what the organisation expects and can channel their efforts towards common goals rather than working without a definite purpose.
- **Planning reduces the risks of uncertainty:** Managers look ahead, anticipate possible changes and prepare suitable responses. Planning cannot eliminate uncertainty, but it reduces the impact of unexpected events by making the organisation better prepared for the future.
- **Planning reduces overlapping and wasteful activities:** Plans coordinate the activities of different departments and individuals. Clear responsibilities and an agreed course of action reduce duplication, confusion and unnecessary work, helping the organisation use its resources efficiently.
- **Planning promotes innovative ideas:** Planning requires managers to think about objectives, examine different ways of achieving them and develop new approaches. As the first management function, it provides an opportunity to turn creative ideas into practical courses of action.
- **Planning facilitates decision making:** Managers evaluate alternative courses of action in the light of objectives and expected consequences. This makes it possible to select the most suitable alternative instead of taking decisions arbitrarily.

Step 3: Conclusion (a) The function is **planning**. (b) Five points of its importance are providing directions, reducing the risks of uncertainty, reducing overlapping and wasteful activities, promoting

innovative ideas and facilitating decision making.

Quick Tip to Solve: Link 'objectives plus alternatives plus advance choice' with planning. For its importance, write each NCERT heading and briefly explain the specific benefit it gives the organisation.

33. 'X Ltd.' is engaged in the manufacturing of cars. The company surveyed the market and found that customers need a car which runs on eco-friendly fuel instead of petrol or diesel. Keeping the needs of customers as well as social, ethical and ecological aspects of marketing in mind, the company launched a new model of car that runs on bio-diesel. The launch event was covered by the top news channels and newspapers. This was done to disseminate information about the car and build goodwill of the business. 'X Ltd.' understands that it is imperative to manage public opinion and company's relations with the public on a regular basis.

(a) Identify and explain the marketing philosophy involved in the above case.

(b) Identify and explain the communication tool that was used by the company.

(c) Explain any two other promotional tools that can be used by 'X Ltd.' to achieve its objectives.

[6 marks]

Solution:

Concept:

- The societal marketing concept seeks customer satisfaction while safeguarding the long-term interests and well-being of consumers and society. Marketing decisions consider social, ethical and ecological concerns along with organisational objectives.
- The promotion mix includes advertising, personal selling, sales promotion and public relations. Each communicates with the market in a different way; public relations also manages the organisation's relationships with its various publics.

Step 1: Identify and explain the philosophy in part (a) The philosophy is the **societal marketing concept**. The company considers 'the needs of customers as well as social, ethical and ecological aspects of marketing' before launching the car. This concept holds that satisfying customers and earning profits alone are insufficient: the business should also protect society's long-term welfare. By responding to demand for an eco-friendly fuel, X Ltd. combines customer satisfaction with concern for the environment in the case.

Step 2: Identify and explain the communication tool in part (b) The communication tool is **public relations**. The case says that the launch was 'covered by the top news channels and newspapers' to 'disseminate information about the car and build goodwill'. It also explicitly refers to managing 'public opinion and company's relations with the public on a regular basis'. Public relations involves activities that develop and maintain a favourable image of the business and constructive relations with its publics, including customers, the media and the community. Media coverage of the launch provides publicity as part of this wider public-relations effort; it is not described as a paid advertisement.

Step 3: Explain two other promotional tools for part (c)

- **Advertising:** This is a paid form of non-personal presentation and promotion of goods, services or ideas by an identified sponsor. X Ltd. can place advertisements in newspapers, on television or

through digital media to inform a large audience about the new car and communicate its features. The company pays for and controls the advertising message, unlike independent news coverage.

- **Personal selling:** This involves personal interaction between a salesperson and a prospective buyer to persuade the buyer to purchase. X Ltd.'s sales representatives can explain the car's features, answer questions about its fuel and operation, and arrange demonstrations for interested customers. The two-way communication allows the presentation to be adapted to each customer's needs and doubts.

Step 4: Conclusion (a) X Ltd. follows the **societal marketing concept**. (b) It uses **public relations**, including media publicity, to inform the public and build goodwill. (c) It can also use **advertising** for wide communication and **personal selling** for individual explanation and persuasion.

Quick Tip to Solve: Customer needs together with society's welfare indicate societal marketing. For promotion, distinguish paid sponsor-controlled advertising from public relations and its news coverage.

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34. 'Sweets and More' is one of India's most popular brand for snacks and sweets. It offers a wide range of sweets, namkeens, cookies and frozen foods.

Its organisational structure comprises of separate business units in each of the above categories. Each of these units have a manager responsible for performance, having authority over the unit. Moreover, each of these units is multi-functional as within each unit, different functions like production, marketing, finance, etc. are performed. Though this kind of organisational structure leads to increased cost because of duplication of activities across products, but it provides a proper basis for performance measurement as revenues and costs related to each of these business units can be easily identified.

(a) Identify the organisational structure of 'Sweets and More'.

(b) State three advantages and two disadvantages of the organisational structure identified in (a) above which are not discussed in the above case. [6 marks]

Solution:

Concept:

- A divisional structure groups activities around different products or product categories. Each division contains the functions needed for its product and is headed by a divisional manager.
- Its advantages include managerial development, flexibility and initiative, and easier expansion. Its limitations include inter-divisional conflict and an excessive focus on divisional interests.

Step 1: Identify the structure from the case **(a) Divisional structure.** The case states that there are "separate business units in each of the above categories", namely sweets, namkeens, cookies and frozen foods. It further says that "each of these units is multi-functional", with production, marketing and finance within each unit. These are product-based divisions, rather than departments grouped only by function. A manager responsible for each unit's performance reinforces this identification.

Step 2: State three other advantages **(b) Advantages not discussed in the case:**

- **Managerial development:** A divisional head gains experience in all functions relating to the product, including production, marketing and finance. This develops varied managerial skills and

prepares the person for higher management positions.

- **Flexibility and initiative:** Each division can function as an autonomous unit. Managers can take decisions suited to their product without referring every matter to headquarters, encouraging initiative and faster decisions.
- **Expansion and growth:** New product divisions can be added without disrupting the existing divisions. The organisation can therefore introduce further product lines while its present business units continue functioning.

Step 3: State two other disadvantages

- **Conflict between divisions:** Divisions may compete over the allocation of funds and other resources. Each may seek to maximise its own results at the expense of another division, making cooperation and coordination difficult.
- **Misuse of managerial authority:** The considerable authority given to a divisional manager may lead to overemphasis on that division's objectives while the interests of the organisation as a whole are ignored. For example, a manager may demand a new production facility for the division even when this is not justified by the company's overall needs.

The case already discusses measurable divisional performance and the higher cost caused by duplication of activities. These are therefore excluded from the additional points requested.

Step 4: Conclusion Sweets and More uses a **divisional structure**. Its additional advantages are managerial development, flexibility and initiative, and easier expansion and growth. Its additional disadvantages are inter-divisional conflict and misuse of managerial authority through excessive emphasis on divisional interests.

Quick Tip to Solve: Identify product-based units with their own functions as divisions. When asked for points not in a case, first set aside every advantage or disadvantage that the passage already explains.